

JC07 Rec'd PCT/PTO 27 MAR 2001
09/806060

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March 27, 2001



BOX-PCT

Commissioner for Patents
Washington, D.C. 20231

PCT/US00/06433
-filed March 28, 2000

Re: Application of Dan CHARASH, Boaz KAPLAN
A SYSTEM AND METHOD FOR DATA PROCESSING OF OPTION/SKARE
POOLING, AND A METHOD FOR CONDUCTING BUSINESS
Our Ref: Q63627

Dear Sir:

The following documents and fees are submitted herewith in connection with the above application for the purpose of entering the National stage under 35 U.S.C. § 371 and in accordance with Chapter II of the Patent Cooperation Treaty:

- ☐ an executed Declaration and Power of Attorney.
- ☒ a copy of the International Application.
- ☒ 5 sheet(s) of drawings.
- ☐ an English translation of Article 34 amendments (annexes to the IPER).
- ☒ an executed Assignment and PTO 1595 form.
- ☒ a Form PTO-1449 listing the ISR references, and a complete copy of each reference.
- ☒ a Preliminary Amendment
- ☒ a copy of the International Preliminary Examination Report.

It is assumed that copies of the International Application, the International Search Report, the International Preliminary Examination Report, and any Articles 19 and 34 amendments as required by § 371(c) will be supplied directly by the International Bureau, but if further copies are needed, the undersigned can easily provide them upon request.

Applicant claims benefit of small entity status in accordance with 37 CFR § 1.27.

The Government filing fee is calculated as follows (**Small Entity fees apply**):

| | | | | | | | | | |
|--------------------|-----|---|----|---|----|---|---------|---|----------|
| Total claims | 117 | - | 20 | = | 97 | x | \$9.00 | = | \$873.00 |
| Independent claims | 6 | - | 3 | = | 3 | x | \$40.00 | = | \$120.00 |
| Base Fee | | | | | | | | | \$50.00 |

TOTAL FILING FEE \$1043.00

Recordation of Assignment \$ 40.00

TOTAL FEE \$1083.00

09/806060

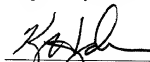
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Checks for the statutory filing fee of **\$1043.00** and Assignment recordation fee of **\$40.00** are attached. You are also directed and authorized to charge or credit any difference or overpayment to Deposit Account No. 19-4880. The Commissioner is hereby authorized to charge any fees under 37 C.F.R. §§ 1.16, 1.17 and 1.492 which may be required during the entire pendency of the application to Deposit Account No. 19-4880. A duplicate copy of this transmittal letter is attached.

Priority is claimed from March 29, 1999 based on US Application No. 60/126,784.

Respectfully submitted,



Kelly G. Hyndman
Registration No. 39,234

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Date: March 27, 2001

09/806060

JCO8 Rec'd PCT/PTO 27 MAR 2001

PATENT APPLICATION

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of PCT/US00/06433
Dan CHARASH, et al. Attorney Docket No. Q63627
Appln. No.: Not Yet Assigned Group Art Unit: Not Yet Assigned
Confirmation No.: Not Yet Assigned Examiner: Not Yet Assigned
Filed: March 27, 2001
For: A SYSTEM AND METHOD FOR DATA PROCESSING OF OPTION/SKARE
POOLING, AND A METHOD FOR CONDUCTING BUSINESS

PRELIMINARY AMENDMENT

Commissioner for Patents
Washington, D.C. 20231

Sir:

Prior to examination, please amend the above-identified application as shown below. An enclosed Appendix includes a version with markings to show changes made.

IN THE CLAIMS:

Please enter the following amended claims:

1. (Amended) A risk sharing method for securities of a plurality of companies, comprising:
pooling a first security of a first company by a first security holder and a second security of a second company by a second security holder, said second company being not identical to said first company, said first security and said second security defining securities of a security pool;
making a first security evaluation relating to said first security;

making a second security evaluation relating to said second security;

providing to said first security holder a first stake in the proceeds of an exit of said first security and said second security based on said first security evaluation; and

providing to said second security holder a second stake in the proceeds of an exit of said first security and said second security based on said second security evaluation.

39. (Amended) A computer program product for implementing a risk sharing method, comprising:

a computer readable medium, and

instructions on said computer readable medium, adapted to enable a computer to implement:

pooling a first security of a first company by a first security holder and a second security of a second company by a second security holder, said second company being not identical to said first company, said first security and said second security defining securities of a security pool;

making a first security evaluation relating to said first security;

making a second security evaluation relating to said second security;

providing to said first security holder a first stake in the proceeds of an exit of said first security and said second security based on said first security evaluation; and

providing to said second security holder a second stake in the proceeds of an exit of said first security and said second security based on said second security evaluation.

77. (Amended) A computer system for implementing a risk sharing method, comprising:

- a processor, and
- a memory holding instructions adapted to enable said processor to implement:
 - pooling a first security of a first company by a first security holder and a second security of a second company by a second security holder, said second company being not identical to said first company, said first security and said second security defining securities of a security pool;
 - making a first security evaluation relating to said first security;
 - making a second security evaluation relating to said second security;
 - providing to said first security holder a first stake in the proceeds of an exit of said first security and said second security based on said first security evaluation; and
 - providing to said second security holder a second stake in the proceeds of an exit of said first security and said second security based on said second security evaluation.

IN THE ABSTRACT:

Please add the following Abstract of the Disclosure.

ABSTRACT

A risk sharing method that can be beneficial to employees of start-up companies, allows the pooling of shares or options to pool members (4), even when there is restriction on security

PRELIMINARY AMENDMENT
International Appl. No. PCT/US00/06433
Attorney Docket No. Q63627

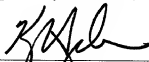
transfer. The risk sharing method includes pooling securities in a database (1), evaluating them, and providing participants with stakes in the pool's proceeds based on the evaluations. On the occurrence of an exit, securities are sold and proceeds are distributed thereafter from Accounts of Proceeds From Exits (2). The closing of a pool occurs at a predetermined time, or upon the occurrence of a predetermined event such as a maximum number of participants. The amount of securities is limited to a maximum number of participants. The amount of securities is limited to encourage loyalty of the employee to the company.

PRELIMINARY AMENDMENT
International Appln. No. PCT/US00/06433
Attorney Docket No. Q63627

REMARKS

Entry and consideration of this Amendment is respectfully requested.

Respectfully submitted,



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Date: March 27, 2001

APPENDIX

VERSION WITH MARKINGS TO SHOW CHANGES MADE

IN THE CLAIMS:

The claims are amended as follows:

1. (Amended) A risk sharing method for securities of a plurality of companies, comprising:
pooling a first security of a first company by a first security holder [of a first company] and a
second security of a second company by a second security holder [of a second company],
said second company being not identical to said first company, said first security and said
second security defining securities of a security pool;
making a first security evaluation relating to said first security;
making a second security evaluation relating to said second security;
providing to said first security holder a first stake in the proceeds of an exit of said first
security and said second security based on said first security evaluation; and
providing to said second security holder a second stake in the proceeds of an exit of said first
security and said second security based on said second security evaluation.
39. (Amended) A computer program product for implementing a risk sharing method,
comprising:
a computer readable medium, and
instructions on said computer readable medium, adapted to enable a computer to implement:
pooling a first security of a first company by a first security holder [of a first company]
and a second security of a second company by a second security holder [of a second
company], said second company being not identical to said first company, said first
security and said second security defining securities of a security pool;
making a first security evaluation relating to said first security;

making a second security evaluation relating to said second security;
providing to said first security holder a first stake in the proceeds of an exit of said first security and said second security based on said first security evaluation; and
providing to said second security holder a second stake in the proceeds of an exit of said first security and said second security based on said second security evaluation.

77. (Amended) A computer system for implementing a risk sharing method, comprising:
a processor, and

a memory holding instructions adapted to enable said processor to implement:

pooling a first security of a first company by a first security holder [of a first company]
and a second security of a second company by a second security holder [of a second company], said second company being not identical to said first company, said first security and said second security defining securities of a security pool;

making a first security evaluation relating to said first security;

making a second security evaluation relating to said second security;

providing to said first security holder a first stake in the proceeds of an exit of said first security and said second security based on said first security evaluation; and

providing to said second security holder a second stake in the proceeds of an exit of said

first security and said second security based on said second security evaluation.

IN THE ABSTRACT OF DISCLOSURE:

An Abstract of the Disclosure has been added.

**A SYSTEM AND METHOD FOR DATA PROCESSING OF
OPTION/SHARE POOLING, AND A METHOD FOR CONDUCTING
BUSINESS**

BACKGROUND OF THE INVENTION

5 Field of the invention.

The present invention relates generally to data processing systems, and in particular to a data processing system, method and method for conducting business for creating and managing a common pool of options and shares owned by individuals from different companies. Here, the term "share" is typically used to refer to a share or an option to acquire a share. The concept of acquiring a share includes acquiring such share by way of the purchase thereof, as well as acquiring such share without the need to purchase (i.e., pay for) such share. Here, the term "security" is typically used to refer to a share or an option to acquire a share. It will be appreciated that this is for the sake of linguistic convenience, and that where a distinction between share and option is necessary, it will be pointed out. The term "option" refers to an option to acquire a share, and includes the concept of a warrant to acquire a share. Also, it will be understood that references herein to "shareholder" or "security holder" generally refer equally to a holder of a share as well as a person who holds an option. Furthermore, as used herein, "security holder" usually refers to an employee, an ex-employee, a consultant, an ex-consultant, an adviser, an ex-adviser, a service-provider, an ex-service provider, or a founder (each, an "employee", and collectively, "employees") of a start-up company who holds securities in such start-up company. As used herein, "start-up company" refers to a company whose shares are not publicly traded.

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Related work.

For many years, private (non-traded) companies, primarily high tech start-up and early-stage companies (collectively, "target companies") have been and are aiming to develop innovative and promising products in many fields. From a statistical perspective, it is clear that many of such companies have not, and will not, succeed in their projects, for various reasons, such as, for example, technological, financing, marketing and sales barriers, which need to be overcome in order to succeed from a business perspective.

As the need to finance the target companies has been growing rapidly and substantially, venture capital funds and other professional investment vehicles and entities (each, a "VC", and in the plural, "VC's") have been established. VC's specialize in investing in those high-risk private companies at their earlier stages, before such companies succeed in effecting a public offering of their shares or a merger or acquisition transaction. The examinations which the quality VC's conduct, when checking such companies in order to contemplate an investment therein, are typically thorough and professional. Thus, from a statistical perspective, a start-up company in which a quality VC invests, is supposed to have a better probability of achieving success from a business perspective, as compared to private companies in which a quality VC has not invested. In addition to VC's, non-professional investors often invest in start-up companies.

Private companies often issue shares and/or grant options to acquire shares to their employees, as part of their compensation package. As a result, employees of start-up companies hold shares and/or options to acquire shares. Options are attractive for many reasons. First, the option is a form of deferred payment that often provides tax benefits by allowing the optionee to control the

time the income is derived, i.e. typically at the time of the exercise of the option and the conversion of such option into shares of the granting company. In addition, the provision of the opportunity to purchase shares in the company is considered an attractive mechanism to incentivize the optionee to work hard in promoting the company's business.

In many cases, the optionee employee is subject to various contractual terms and conditions which govern his options. These terms and conditions typically include a vesting period during which a fraction of the granted options become exercisable upon the expiration of each pre-determined period, provided that the optionee continues to be employed by the granting company through the end of such period. In addition, the options generally set a per-share exercise price, i.e. a pre-determined sum which the optionee would be required to pay in order to convert his option into a share(s) of the granting company. The terms and conditions which govern the employee options generally contain limitations on transferability or sale of the options and underlying shares to others prior to the vesting of the options, termination terms and an expiration period. Other terms and conditions are also typically included.

However, not all target companies succeed or even survive, and only some of them can be considered a business success. In those many cases where the company fails from a business perspective, the options and shares of the employees are worthless once such failure becomes evident. On the other hand, those employees whose companies succeed may derive a cash profit from their shares and/or options. Such profit may be substantial, depending on the degree of success of the relevant company.

The reality is that only those employees whose company has succeeded, will derive a real return from their options and/or shares. In this respect, each employee is therefore totally dependent on the business success of the company for which he works.

5 Other methods of sharing risk have failed to address this problem, as will now be discussed.

The basic idea of the pooling of financial resources is known in banks, life insurance, pension funds and mutual funds. Over the years many variations of those have been adopted.

10 *Pension plans.*

The core idea of pension plans is the transferring of financial assets on a periodic basis (usually monthly) which will yield cash at the age of retirement. Pension plans are highly regulated under specific legislation.

Pension plans have a goal of bolstering the future security and welfare of
15 the employee, and therefore generally invest in a low-risk portfolio, with the amount of risk typically limited by governmental laws. Securities in start-up companies have such high risk as to be generally unapproachable (or approachable in small quantities only) for pension plans.

Most of the investments by employees into pension plans are liquid assets.
20 The liquid assets are transferred in by the employees and/or the employers, and the management of the plan obtains securities in sufficiently secure companies. This does nothing to help the employee of a start-up company with the high risk of the securities in his company.

Securities in a start-up company are non-liquid. Pension plans must have a substantial liquid portion because, at any given time, some of the plan participants should receive their pension.

A specific embodiment of a pension plan business model deals with the case whereby the employers transfer their own publicly traded shares or options into employee pension plans (US patent 5,806,047). This business model allows pension plans, which own employer's securities, to transfer the employers' securities into a combined pool. The pool management manages the combined portfolio, selling portions of the contributed stock and purchasing other financial instruments to increase diversification.

The securities made available to security holders of start-up companies, however, are not in any way a pension plan. Such high risk securities could not readily be sold to satisfy periodic pension requirements, and thus do not satisfy the general requirements of a pension plan for liquidity of a high percentage of its assets.

Furthermore, pension plans are subject to restrictions which make it essential that the securities pooled be ones whose price can be determined every day (continuously) with reasonable precision. The value of shares of privately held companies is determined only in rare occasions, possibly years apart, such as a merger, acquisition or a round of financing.

Pension plans have thus been heretofore an unacceptable model for sharing risk in securities of start-up companies.

Venture Capital firms.

The core idea of a venture capital firm (VC) is to take money and to transform it into shares of a plurality of start-up companies. Participants in start-

up companies, however, have the need to transform shares / options of only one start-up company into a portfolio of various start-up companies. Thus, although VC's relate to start-up companies, they are not useful as a vehicle for employees of such companies to reduce risk.

5 *Mutual funds.*

A mutual fund is another model that has been unacceptable with respect to securities in start-up companies. A mutual fund usually invests in liquid assets such as publicly traded companies, bonds, foreign currencies, etc. Securities in start-ups are not liquid, however, and cannot be integrated within a mutual fund.

10 An investor in a mutual fund can sell his holdings in the mutual fund every day, and thus realize his earnings. The non-liquidity of shares in a start-up company makes this another reason such shares are generally not held (or are held in small amounts only) by mutual funds.

The core idea of a mutual fund firm is to take money and transform it into
15 shares of companies. What is needed is some manner of taking the non-liquid securities in start-up companies and transforming them into something less risky.

SUMMARY OF THE INVENTION.

It is the object of the present invention to provide a method and data processing system and method for conducting business for creating a common
20 pool of options ("participating options") and shares ("participating shares") of multiple employees ("security holders") from different target companies, such that each pool security holder transfers to the pool a portion of his shares or options in his company, in return for a stake in the common pool. The transfer to the pool is effected by transferring the shares or the options (as the case may be)
25 to a management company, which will hold the shares or options (as the case may

be) on behalf of the pool. In the preferred embodiment of the invention, the management company undertakes to sell the participating shares or shares underlying the participating options (as the case may be) in the event of an Exit (as defined below). In another embodiment, the management company would be

5 entitled to exercise discretion in determining the timing of the sale, and would not be required to effect such sale only in connection with an Exit. In the preferred embodiment, in those cases where the options/shares are not transferable/assignable at the time that the security holder joins the pool, the security holder would undertake to sell his participating shares or the shares

10 underlying his participating options (as the case may be) upon the earlier of: (i) the consummation of a transaction in which all or substantially all of the shares of the security holder's company are acquired by a third party in a single transaction or a series of transactions, (ii) within a pre-determined period following the consummation of a merger transaction in which such security holder receives

15 shares and/or options of a publicly-traded company in exchange for his participating shares, his participating options, or the shares underlying his participating options and such new shares or the shares underlying such new options (as the case may be) are not subject to any underwriter "lock-ups" and may be sold in the open market, free of any vesting provisions (in such case the

20 shares to be sold are the shares of the new company received by the security holder or, in the event of a transfer or assignment to the pool, the pool), and (iii) within a pre-determined period (in the preferred embodiment this period is three months, but this may vary without prejudicing the invention presented herein) following the consummation of an initial public offering of shares of the security

25 holder's company and such security holder's participating shares and shares

underlying such security holder's participating options are not subject to any underwriter "lock-ups" and may be sold in the open market, free of any vesting provisions. (Each of the events set forth in clauses (i), (ii) and (iii) above is referred to herein as an "Exit"). In another embodiment of the invention, in those cases where the options/shares are not transferable/assignable at the time that the security holder joins the pool, the security holder would undertake to sell his participating shares or shares underlying his participating options (as the case may be) at such time as the management company instructs him to do so, provided that such shares may be sold without restrictions at such time. The pool security holder would further undertake to transfer to the pool the proceeds of such sale within a certain pre-defined period, following the consummation thereof.

It is a further object of this invention to provide a method to define the relative stake of each of the pool security holders, at any point of time until the expiration of the life of the pool (in the preferred embodiment, the life of the pool is ten years from the creation thereof, but this may vary without prejudicing the invention presented herein). The relative stake of each security holder is determined by taking into account various parameters, including the number of participating shares and participating options of such security holder as compared with the total number of participating shares and participating options in the pool, the value of each share of such security holder's company as compared with the value of the other participating shares and options prior to the "closing" of the pool, i.e. the point at which no new security holders are permitted to join the pool (such value may be determined based on the price-per-share paid by a pre-approved VC(s) in a recent substantial investment), the vesting terms of such security holder's participating shares and/or participating options (as appropriate)

as compared with the vesting terms of the other participating shares and participating options, any stock split or re-capitalization of the shares of such security holder's company after he joined the pool as compared with any stock split or re-capitalization of the shares of the other security holders' companies, and the business status of his company during a certain period following the security holder's joining the pool, i.e. continuation or non-continuation of the company's existence as a "going concern" as compared with the continuation or non-continuation of the other companies' existence as a "going concern" within an equivalent period following the other security holders' joining the pool.

It is another object of the present invention to provide a method, data processing system, and method for conducting business for managing a common pool of options and shares of multiple employees from different target companies, such that the vested participating shares and shares underlying vested participating options would be sold by the pool or by the security holder, as the case may be, upon the occurrence of the first Exit, or at such other time as the management company will decide on a case-by-case basis. The proceeds of any such sales would be distributed among the pool security holders according to the relative stake each of them has at such time.

It is yet another object of the invention to provide a method of obligating the transfer of a security by a security holder when such transfer becomes permissible, in a situation in which the security holder is under an obligation preventing transfer of said security. According to the invention, an agreement is made with the security holder obligating him to undertake to transfer the security to the pool management (for purposes of realizing it and distributing the proceeds) when he is no longer prevented from transferring the security.

The above and other objects of the invention are realized in a data processing system including controlling means directed to managing and tracking each security holders' commitments to the pool and his entitlement to receive proceeds from sales of participating shares and shares underlying participating options.

A unique and innovative characteristic of the invention is that it takes a very high-potential, high-risk asset (i.e. shares or options of a start-up company), and converts such asset into a lower-potential, lower-risk asset which statistically is designed to yield a mid-nice return, rather than a more binary result, i.e. big success or nothing.

As such, the asset is designed to be a useful tool for employees holding shares or options in a target company who would like to decrease the risk while settling for a more modest, but more probable, return.

A system according to the invention described herein is different from pension plans, mutual funds, and VC firms in a variety of ways.

Contrast with pension plans.

Pension plans relate to periodic transfer of assets to realize returns upon retirement from a low-risk portfolio of publicly traded, substantially liquid assets; the present invention deals with a one-time transfer of financial assets expected to yield cash within a few years from a high risk portfolio of non-publicly traded, non-liquid assets. Pension plans involve the acquisition of new assets in a long-term program, but the present invention involves closing participation and the planned selling of all assets without further acquisition.

Contrast with VC firms.

VC firms involve an investment of cash to be used in acquiring securities in start-up companies, whereas the present invention involves an investment of securities in start-up companies. The business model of a venture capital firm includes three participants: 1) the investor that provides the money to the VC; 2) the VC that serves as a mediator between the investors and the investees (i.e., the start-up companies); and 3) the Start-up companies that receive investments from the VC. The model of the present invention, described in detail below, involves only two participants: 1) the members of the pool that hold options / shares of their specific start-up companies; and 2) the management firm which manages the pool. Whereas the main role of a VC is to make investment decisions, the management company might make no investment decisions. VC's take an active role in the management of the portfolio companies, whereas the management company in the present invention has no role in the management of the assets of its participants, nor on the management of the start-up companies.

The model set forth herein is the opposite model to the present activity of VC's, which invest real money (not shares and/or options) in high-potential, high-risk target companies. In the invented model, the employees utilize their participating shares and participating options in companies which are the subject of the VC's investments, in order to convert them into real money based on an investment portfolio covering a wide range of target companies.

Contrast with mutual funds.

A mutual fund involves liquid assets such as publicly traded companies, bonds, foreign currencies, etc., but the present invention relates to assets that are non-liquid until an "exit". The core idea of a mutual fund firm is to take money

and transform it into substantially liquid shares of publicly-traded companies, whereas, in the present invention, a participant transfers non-liquid securities in a start-up company into a portfolio of securities in various start-up companies.

Mutual fund managers make investment decisions; a management company as

5 described herein generally does not.

The foregoing and other objects and advantages of the invention will be more fully understood from the detailed description below, taken with the illustrative drawing figures.

BRIEF DESCRIPTION OF THE DRAWING FIGURES.

10 FIG. 1 is an overall schematic view of the options/shares common pool management system of the present invention;

FIG. 2 is a flow diagram describing the steps for adding new options/shares to the common pool. This phase is referred to as the "new investments" process;

15 FIG. 3 is a flow diagram describing the steps for determining each security holder's stake determination ratio. That ratio is used to determine the security holder's stake in the common pool;

FIG. 4 is a flow diagram describing the steps for collecting proceeds deriving from sales of participating shares and shares underlying participating options, and distributing them among the security holders of the pool; and

20 FIG. 5 is a flow diagram describing the steps for determining the security holder's entitlement to receive proceeds from the common pool.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS.

It will be understood that the invention may be realized not only in a method or process, but also a computer or data processing system and in a

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computer program product. For the sake of clarity, these terms will now be discussed.

Computer systems

The term "computer system" is to be understood to include at least a
5 memory and a processor. In general, the memory will store, at one time or
another, at least portions of an executable program code, and the processor will
execute one or more of the instructions included in that executable program code.
It will be appreciated that the term "executable program code" and the term
"software" mean substantially the same thing for the purposes of this description.
10 It is not necessary to the practice of this invention that the memory and the
processor be physically located in the same place. That is to say, it is foreseen
that the processor and the memory might be in different physical pieces of
equipment or even in geographically distinct locations.

Computer program products

15 The above-identified invention may be embodied in a computer program
product, as will now be explained.

On a practical level, the software that enables the computer system to
perform the operations described further below in detail, may be supplied on any
one of a variety of media. Furthermore, the actual implementation of the
20 approach and operations of the invention are actually statements written in a
programming language. Such programming language statements, when executed
by a computer, cause the computer to act in accordance with the particular content
of the statements. Furthermore, the software that enables a computer system to
act in accordance with the invention may be provided in any number of forms
25 including, but not limited to, original source code, assembly code, object code,

machine language, compressed or encrypted versions of the foregoing, and any and all equivalents.

One of skill in the art will appreciate that "media", or "computer-readable media", as used here, may include a diskette, a tape, a compact disc, an integrated circuit, a ROM, a CD, a cartridge, a remote transmission via a communications circuit, or any other similar medium useable by computers. For example, to supply software for enabling a computer system to operate in accordance with the invention, the supplier might provide a diskette or might transmit the software in some form via satellite transmission, via a direct telephone link, or via the Internet. Thus, the term, "computer readable medium" is intended to include all of the foregoing and any other medium by which software may be provided to a computer.

Although the enabling software might be "written on" a diskette, "stored in" an integrated circuit, or "carried over" a communications circuit, it will be appreciated that, for the purposes of this application, the computer usable medium will be referred to as "bearing" the software. Thus, the term "bearing" is intended to encompass the above and all equivalent ways in which software is associated with a computer usable medium.

For the sake of simplicity, therefore, the term "program product" is thus used to refer to a computer useable medium, as defined above, which bears in any form of software to enable a computer system to operate according to the above-identified invention.

Thus, the invention is also embodied in a program product bearing software which enables a computer to perform a risk management process according to the invention described herein.

Operational flow.

Referring now to FIG. 1, there is shown in overall scope an operational flow chart for implementing the options/shares common pool management system of the present invention. As therein depicted, the broad aspects of the system include an options/shares account and database 1, an account for handling the proceeds from the options/shares 2 and a data processor for managing both the database and the accounts 3. The pool security holders 4 manage their interactions with the pool through the various managers 5, 6, 7.

In the most basic embodiment of the present invention, the security holders 4 transfer options/shares to the common pool 1 in return for a stake in the common pool. The data processor 3 determines the relative stake of each security holder. The dashed lines depict the flow of the options/shares and information. Proceeds from options/shares are transferred to an additional account 2, and are distributed between the security holders. The solid lines depict the flow of the proceeds from the options/shares.

However, as illustrated in FIG. 1, the system of the present invention can be embodied in a more sophisticated manner. In the preferred embodiment, a management company 9 acts as the options/shares pool administrator. The management company includes managers for handling new investments 5 made by new and existing security holders 4. The term "investment" in this context refers to the addition of participating shares and/or participating options to the pool. The "new investment" process also involves the company 8 whose options/shares the security holder holds. We shall thereby refer to the company 8 as the "participant company". The participant company will supply information such as the per-share value of such security holder's participating shares or shares

underlying such security holder's participating options at the time the security holder joined the pool (such value to be determined based on the price-per-share paid by a pre-approved VC('s) in a recent substantial investment), the vesting terms of his option plan, etc. The management company which organizes and oversees the pool in exchange for a cash payment (which, in the preferred embodiment, is calculated as a percentage of the proceeds deriving from sales of participating shares or shares underlying participating options) in the event of an Exit 9 may require that those reports be confirmed by the participant company's 8 auditor or lawyer. A flow chart describing the "new investments" process appears in FIG. 2, and will be discussed in detail later. All of the information gathered by the new investment managers 5 will be stored in the pool's database 1.

In the preferred embodiment, a security holder's reports and status manager 6 will communicate with the security holders 4 and the participant companies 8 to receive updated information. Information will be collected about any stock split or re-capitalization after the security holder joined the pool, the status of his entitlement to options of his company at any point of time, the business status of the participant company 8 during a certain period following the security holder's joining the pool, etc. All of the information gathered will be transferred to the pool's database 1.

Security holder information is stored in the pool's database 1. The information includes the security holder's identity, the participant company's 8 identity and business status (i.e. whether the company continues to act as a "going concern" during a pre-determined period (in the preferred embodiment, this period is the one-year period following the security holder's joining the pool)), the amount of participating options and participating shares of such security holder,

the mechanism of participation (i.e. the transfer/assignment of the shares/options or the undertaking of a contractual undertaking with respect thereto), the price-per-share value(s) of the security holder's participating shares or shares underlying participating options (as the case may be) at the time of the "closing" of the pool (i.e. the point at which no new security holders are permitted to join the pool), the vesting terms of the participating options and participating shares, the entitlement to options, the amount of proceeds collected from sales by such security holder in accordance with the rules of the pool ("pool sales"), the amount of proceeds transferred to the security holder in connection with pool sales of other security holders' participating shares and shares underlying participating options, and additional empty fields for uses that may arise in the future.

The database 1 will store each entry with the time of the entry, and the source of the information included in the entry. New and updated entries will be stored in addition to the old entries. No entries will be overrun, and all the current and past entries will remain accessible. The database can be embodied by a variety of memory devices (preferably, non-volatile devices), such as magnetic storage devices, semiconductor based storage devices, optical storage devices, and even printed paper. In the preferred embodiment, a magnetic storage device such as a RAID is used. Backups are made routinely and often on a memory storage media, such as compact disks, and are stored safely, for example outside the management company's premises.

The data processor 3 computes the stake of each security holder in the pool and controls the flow of options/shares/proceeds through the system. Flow diagrams describing those steps are included in FIG. 3, FIG. 4 and FIG. 5.

Processing is both time and event driven, for example when a new security holder

joins it is event driven, and when the proceeds distribution dates are reached it is time driven. The proceeds distribution dates are pre-determined dates in which proceeds from the pool are distributed among the security holders. Those dates will be discussed in detail later. The data processor in the preferred embodiment
5 includes a central processing unit (CPU), a non-volatile memory storage device, and IO devices such as a keyboard, scanner, printer, modem, LAN, etc. A desktop personal computer running under a suitable operating system is used in the preferred embodiment. The controlling program can be written in several suitable languages (e.g. Visual C++, Delphi, etc.) and is preferably compiled to an
10 executable program. Additional embodiments could utilize other configurations of hardware and software.

Referring back to FIG. 1, the mechanism of collecting and distributing the proceeds from the sales of participating shares and shares underlying participating options is shown schematically. The proceeds are collected from security holders
15 4 in connection with pool sales. In the preferred embodiment, the transfer will be done through a manager 7 who will oversee the process. At pre-determined dates ("proceeds distribution dates"), the data processor 3 will determine the relative stake each security holder has at such time. Then the proceeds of such "exits" will be withdrawn from the pool's account 2 and distributed among the pool security
20 holders 4 according to the relative stake each of them has at such time. The management company 9 will also receive a portion of the proceeds as a management fee.

Adding New Investments To The Options/Shares Pool

The description set forth below with respect to "new investments" relates
25 only to the addition of new shares/options to the pool. This is in accordance with

the preferred embodiment of the invention. It should be stated, however, that an additional embodiment would allow an investor to invest money (not shares or options) in an existing pool in exchange for a stake, to be determined based on the size of his investment as compared with the total value of the pool at the time of his investment. In such case, the invested funds would be distributed among the then-existing security holders, who would benefit from an immediate cash return on their participation in the pool.

Following the schematic overview, we will now direct our attention to FIG. 2, which describes the steps for adding new investments to the options/shares pool. This "new investments" process refers to the adding of new options/shares to an existing pool. Typically this process will commence when a candidate security holder wishes to join the pool (or add additional options/shares to his then-current participating shares and/or participating options (as the case may be)). This commencement is shown as 200 in FIG. 2. Therefore this process is defined as an "event driven" process. The first step 201 is to check whether the "participant" company, whose options/shares the candidate security holder was granted, has received an investment(s) in the last 18 months. The second step 202 is to check whether at least US\$1.25 M of such investment was invested by pre-approved (quality) VC's. These two steps ensure that the participant company was recently inspected by a quality VC, and was found worthwhile for a substantial investment; therefore, from a statistical perspective, such company should have a higher probability of achieving a business success, as compared to other private companies which have not consummated a recent substantial investment from quality VC's. The management company 9 will create and update the list of "approved VC's".

Other embodiments may include different investment requirements. For example, another embodiment is a pool specializing in "seed money" stage start-up companies. In this embodiment, the "substantial investment" may be defined as above 100 K\$ for example (instead of above 1.25 M\$ in the preferred embodiment). Another example is an embodiment that will not be limited to investments from pre-approved VC's, but will also be open with respect to participant companies that received investments or other forms of funding from other sources such as private investors, investment banks, investment houses, government investments, investments by technological incubators, and investments made by companies and universities. Another example is an embodiment that will not be limited to investments within the last 18 months but within a longer or shorter period, or that will not be limited to investments within a limited time period at all.

Continuing with FIG. 2, we will now direct our attention to the individual candidate for membership. Step 203 verifies that the value of the participating shares or shares underlying the participating options that the candidate wishes to transfer is above \$5K and below \$75 K. The bottom limit is introduced in order to avoid dealing with small amounts, which is not worthwhile from the point of view of the management company. The upper limit is introduced in order to verify that no security holder can become rich solely from his holdings in the pool. This protects the participant companies from security holders becoming rich and losing interest in working hard for the benefit of their companies. In another embodiment, step 203 may be discarded because of difficulties in evaluating the security holder's participating securities. Step 204 verifies that the security holder will transfer no more than 20% of his holdings in the participant company. This

mechanism assures that at least 80% of his holdings are still linked to the success of his participant company. This is designed to motivate the security holder to try and make his participant company a business success. In the case of a single security holder making multiple investments, all of the above-described steps refer to the sum of his current and past investments.

Approval of the new investment 210 is given only if a positive output was received from all the previous steps 201,202,203,204. Otherwise the new investment is denied 280. In an additional embodiment the management company could exercise subjective discretion with respect to the acceptance or non-acceptance of a candidate security holder.

After the approval of the new investment 210, the new investment manager 5 and the security holder 4 will determine whether the participating options/shares are transferable/assignable in accordance with the terms and conditions governing such options/shares. If the options/shares are transferable/assignable, then they will be transferred/assigned to the common options/shares pool 220. In those cases where the options/shares are not transferable/assignable at the time of joining, the security holder may undertake an undertaking to sell the participating shares and shares underlying the participating options in the event of an Exit, or otherwise in accordance with instructions it may receive from the management company, and transfer the proceeds to the management company in order to allow for the distribution thereof at a proceeds distribution date 230.

Other embodiments may include different acceptance criteria. For example, a value of participating shares or shares underlying participating options

exceeding \$10K and less than \$150K, and/or that the percentage of holding transferred to the pool is anything between 0.01-100% of the total holding.

Step 290 marks the end of FIG. 2 and refers us to FIG. 3.

Please note that the new investments manager 5 oversees the entire "new investments" process.

Computing The Security Holder's Stake Determination Ratio

Referring to FIG. 3, a flow diagram describing the stake determination algorithm is shown. The algorithm starts at step 300, which can be viewed as a continuation of step 290 from FIG. 2. The actual computations begin only after the pool 1 has been closed for new investments 310. The pool will be closed to new investments either because an "event driven trigger" such as reaching a certain number of security holders in the pool, or because a "time driven trigger" such as the arrival of a pre-determined date. In the preferred embodiment, the pool will close after fifty security holders have joined. In other embodiments this number may be a larger number or a smaller number, provided however, that the number must be sufficiently large to ensure an adequate statistical basis. Note that in the preferred embodiment, a limitation will be set such that only one security holder from every participant company will be allowed to join a certain pool. This limitation is based on the desire for the pool to represent a wide range of target companies, thereby increasing the statistical chances of achieving Exits. In other embodiments, this limitation may be revised (e.g., a maximum of two security holders from every participant company may participate) or discarded.

The first step 301 is to load the appraised per-security value ("price-per-share" or PPS) of the security holder's participating shares or participating options at the time the security holder made his investment (as shown in FIG. 2). The

original price-per-share of a particular security will be referred to as the "original price-per-share" of such security. Later changes in the price-per-share may occur due to additional investments, stock splits or re-capitalizations. Changes in the "original price-per-share" of a security holder's shares/options may be accepted if he reports to the pool of those changes until such time as the pool is closed to new investments. This updated price-per-share will be referred to as the "updated price-per-share", and it is an optional mechanism, to be used at the security holder's discretion.

In a highly advantageous embodiment, the appraisal of the "price-per-share" (PPS) may be based, for example, on a "Black and Scholes" method for appraising the value of securities, as such method may be adapted and/or revised in order to take into account the lack of a trading market for the securities being appraised. Such method may take into account, for example, the price-per-share in the last financing round of the participant company, the exercise price, vesting terms, and other terms and conditions which apply to an option.

The Price Per Share ("PPS") 302 is taken as either the "original price-per-share" or the "updated price-per-share", whichever is higher. This mechanism assures the security holder, that changes with respect to his company that occurred between his investment and the closing of the pool, will always work in his favor.

The PPS will be used as an auxiliary variable in the subsequent steps. In the preferred embodiment, the evaluation of the securities is performed before the pool is closed to participation by other securities holders. Although it is possible and foreseen that the evaluation of the securities could be delayed until only after the pool is closed to other participation by other security holders, it will be

appreciated that participants may wish to know the evaluation of their securities before the closing of the pool. A pre-closing evaluation is thus preferred.

The Number Of Securities (NOS) 303 is defined as the total number of shares or the shares underlying options that the security holder has invested in the common pool. This number includes both shares and options for shares. Shares and options are treated equally in this respect. In another embodiment, each security holder may invest different types of securities (i.e. shares and options), and each type of security will be assigned its own PPS. The NOS is not affected by the vesting terms, therefore options/shares that are not vested are treated equally as compared with vested shares/options. The NOS also serves as an auxiliary variable, which indicates the full potential size of the security holder's investment, in terms of the number of shares.

Continuing to the next step 304, the theoretical monetary value of the security holder's investments is computed. This is the theoretical value at the point of time that the pool has been closed for new investments. The Member's Initial Investment Value (MIIV) is that theoretical value. The MIIV is computed by multiplying the NOS by the PPS.

The Members Stake Determination Ratio (MSDR) is the theoretical stake that the security holder will have in the pool, if both he and all the other pool security holders will have all of their participating shares and participating options vested and valid when the proceeds are distributed. FIG. 4 and FIG. 5 both cover such issues and definition in detail. The MSDR is computed in step 370 by dividing the MIIV of the individual security holder by the sum of all the MIIV's of all of the pool security holders. Please note that the definition "all the pool security holders" also includes the individual security holder himself.

In an additional embodiment the MSDR and/or MIIV are computed without first calculating the PPS and / or NOS. This approach is beneficial for security holders without accurate information about their securities, or without means to prove the reliability of such information. In those cases it may be difficult to compute the PPS / NOS / NOES. An alternative approach is to use heuristics. For example every security holder participates with respect to 10% of his respective securities, and the MIIV is determined as 1 for every participant. This model is very naive, and can be greatly improved upon by taking into account information about the participating securities (absolute number or as a percentage from the total securities per security holder or from the total securities of the company), information about the security holder (education, work experience, salary, job description, curriculum-vita, time of joining the participant company, organizational position etc.), information about the "participant" company (field of operation, financing information, business and R&D milestones, subjective evaluation of the companies value and potential, etc.), and the relationship between all those factors at different time points (at the time of joining the pool, at the time of the security holder receiving his securities, etc.).

At step 380 all of the above mentioned values (MSDR, MIIV, NOS, PPS) are stored in the non-volatile database 1. The values are stored in the individual security holder's personal file, since all of such values are computed individually for each security holder. It is important to note that all of such values may vary from security holder to security holder. The only constant value is the sum of all the MSDRs of all the security holders, which is always equal to one.

Once all the values have been computed and stored, it is time to move on to the proceeds collection and distribution phases 390.

Collecting And Distributing The Proceeds

Referring now to FIG. 4 we shall discuss the mechanisms for collecting and distributing the proceeds. The processes can be both "event-driven" or "time-driven". In the preferred embodiment, the collection is "event-driven" (E.g., after "Exits" of participant companies), while the distribution process is "time driven" (every six months). The beginning of the process is shown in step 400.

An "Exit" of the participant company will trigger a transfer of money from the security holder to the pool 401. The process of collecting the proceeds is supervised by the "proceeds from 'Exits' manager" 7, and will now be discussed in detail.

Recall that in the "new investments" process, the security holder could either transfer/assign the options/shares to the pool 220 or undertake to transfer the proceeds in the event of a pool sale by such security holder 230. If the options/shares have been transferred to the pool 220, then the management company 9 will sell them in connection with an Exit, or otherwise at the discretion of the management company. The proceeds will then be transferred to the "proceeds from 'Exits' pool account" 2. If the security holder has undertaken to sell his participating shares or the shares underlying his participating options, then the security holder will transfer the proceeds from his pool sale in connection with an Exit or otherwise as instructed to sell by the management company to the pool's account 2.

Please note that because of various legal mechanisms (such as vesting terms), the security holder's participating shares and shares underlying his participating options may be subject to selling constraints. Whenever the security holder is free to sell additional participating shares and shares underlying his

participating options in connection with an Exit, then all of said shares must be sold immediately and the proceeds are transferred to the pool's account 2.

An additional embodiment will not require the security holder to sell all the participant shares immediately, if the shares that are not participant shares are still subject to selling constraints. In this additional embodiment, whenever the security holder is free to sell additional shares, then a certain proportional portion of shares must be sold from his overall holdings. We shall refer to that above-mentioned proportional portion of shares as the "pool's portion". The "pool's portion" is equal to the number of participating shares and shares underlying his participating options divided by the total holdings in options/shares that the security holder had, at the time of joining the pool, in the participant company. For example, if the security holder invested in the pool 2,000 shares, out of a total of 10,000 shares that he held in the participating company, at the time of joining the pool, then the "pool's portion" is 20%. In this example of the additional embodiment, whenever additional shares are not subject to any underwriter "lock-ups" and may be sold in the open market, free of any vesting provisions, then 20% of those shares must be sold and the proceeds must be transferred to the pool. Please note that this paragraph is not part of the preferred embodiment, but rather an additional embodiment.

The exercise price of a security holder's participating options will be paid to his company by the security holder in order to exercise the option. The security holder will transfer to the pool the proceeds already net of any due payment or tax, if applicable. Therefore, effectively, the pool receives the proceeds as if there is no exercise price. In another highly advantageous embodiment, the pool management will finance the payment of the exercise price by providing such

payment to the security holder. This is best when the exercise terms of the options are incorporated into the evaluation process of the "price-per-share".

Referring back to FIG. 4 the proceeds are collected in the proceeds account 410. The amount of proceeds collected, after the management company deducts management fees, is deposited for the next periodical distribution among the security holders.

As previously mentioned, the distribution process is "time-driven"; in the preferred embodiment it is performed every six months. The first step in the distribution process is to load 411 the MSDR and NOS, which are stored in the pool's database. Please recall that each security holder has different MSDR and NOS values.

The next step 420 is to determine the Number Of Entitled Shares (NOES). The Number of Entitled Shares is the number of shares (including shares underlying participating options) of such security holder that will be considered when the proceeds are distributed. For example, if the security holder has lost all of his stake in the pool (for reasons explained in FIG. 5) then the NOES is zero. The determination of the NOES is a complex process that will be discussed in detail later on with the assistance of FIG. 5.

Continuing with 421, the Member's Current Entitled Stake (MCES) is computed. The MCES holds no actual meaning and is just an auxiliary variable that is used later.

Continuing with 422, the Pool's Total Current Entitled Stakes (PTCES) is computed as the sum of the MCES's of all the pool's security holders. This too is just an auxiliary variable with no actual meaning. The PTCES will always be equal to or smaller than one.

The actual amount of money that the security holder will receive from the proceeds distribution is computed in step 423. That amount is referred to as the Member's Entitled Amount of Proceeds (MEAOP). The MEAOP is computed by multiplying the total amount of proceeds for distribution (AOPFD) by the individual security holder's current stake in the overall pool. That stake is computed by dividing the MCES by the PTCES. This mechanism takes into account factors such as different vesting terms, security holders who lose (fully or partially) their stake in the pool, etc. (see FIG. 5 for details).

Finally a portion of the proceeds (the MEAOP) is transferred to the security holder 490. In the preferred embodiment, the money is transferred to the security holder's bank account. A printed report is also sent by mail (or E-mail) to notify him of this transfer. This transfer may represent a major benefit to the security holder, as he gets an actual monetary gain, even if his own company failed and all of his options/shares are now utterly worthless.

Determining The Number Of Entitled Shares (NOES)

Referring now to FIG. 5 we shall explain the algorithm for determining the Number of Entitled Shares (NOES). The Number of Entitled Shares is the number of shares (including shares underlying participating options) of such security holder that will be considered when the proceeds are distributed. The NOES represents an important aspect of the preferred embodiment, as it serves as a mechanism for dealing with the variable legal and business characteristics of the different security holders. The mechanism will become clear after reviewing the detailed descriptions set forth in the following paragraphs.

The process of determining the NOES starts at 500. Please recall that FIG. 5 represents a detailed explanation of step 420 of FIG. 4. Therefore it is actually an internal subroutine of the proceeds distribution process.

A preliminary step 501 of loading the NOS is performed. During this step
5 the file containing all the security holder's records is opened for easy future access.

The common options/shares pool includes a mechanism 510 that dismisses security holders whose participant companies, stopped functioning as a "going concern", within a year from the date the security holder joined the pool. The
10 purpose of this is to prevent employees of companies that are on the brink of bankruptcy/liquidation from joining the pool and enjoying proceeds collected from the other security holders, while contributing nothing.

The "going concern" status will be attributed to any company that is not involved in bankruptcy/liquidation proceedings, continues to employ at least four
15 full time employees and has not had a receiver appointed with respect to a material asset of the company. A "going concern" statement will be made by the participant company and certified by its auditor or lawyer. The statement will refer to its status with respect to being a "going concern" as of the date of the first anniversary of the participant joining the pool. The security holder's reports and
20 status manager 6 will oversee this process. It will be understood that, in an embodiment of the invention, indications of continued operations other than a going concern statement will be used to fulfill this function, such as the minimum number of employees or a minimum predetermined amount of expenses per month.

Failure to comply with this requirement will result in the NOES being determined as zero 511. That means that the security holder will not be entitled to any proceeds from the pool.

Continuing with step 520, an additional mechanism is discussed. Before
5 the proceeds are distributed to a particular security holder, such security holder will have to prove that he is still entitled to his participating options/shares even if such options/shares remain subject to vesting or similar restrictions. In the preferred embodiment, the proof required is a letter signed by the participant company and confirmed by its attorney or accountant. The letter will be examined
10 by the security holder's reports and status manager 6, who will enter his approval to the member's database. The entry (like all the entries made by the management company's personnel) will include a time stamp. Such proof is required whenever proceeds are distributed (which is every 6 months in the preferred embodiment).

If the security holder has lost his entitlement to all of the participating
15 options/shares which he received from his company, vested or unvested, the NOES will be determined as zero 521. This means that the security holder will not be entitled to any proceeds from the pool. Note that the NOES is re-computed whenever proceeds are distributed.

If the security holder has lost only part of the options/shares, then those
20 lost options/shares will be treated as options/shares that have not been vested to the security holder. The mechanisms for dealing with such vesting issues are covered in the following paragraph.

Vesting terms are a common practice in employee options/shares plans, and are treated in the following step 530. The portion of participating
25 options/shares that the security holder holds in the participant company and are

already vested to him, at the time of the proceeds distribution, will be referred to as P_VESTED. Please note that P_VESTED is a fraction, so for example when 25% percent of the participating options/shares that the security holder holds in the participant company are already vested to him, the P_VESTED is equal to 0.25. Also note that the computation is done on the number of shares, and both shares and options to shares are treated identically

The actual Number of Entitled Options (NOES) is the number of participating options that were already vested to the security holder and actual participating shares. The NOES can be computed by multiplying the NOS by P_VESTED, as shown in step 531. In another embodiment, the issue of vesting may be dealt with by reflecting the relevant vesting provisions in the evaluation of the securities (e.g., the PPS in steps 301 and 302). In such other embodiment, steps 530 and 531 may be unnecessary.

Finishing the NOES determination algorithm is step 590, which stores the NOES and returns the NOES to the calling program (which is described at FIG. 4).

Although a preferred embodiment of the invention has been disclosed for illustrative purposes, those skilled in the art will appreciate that many additions, modifications and substitutions are possible without departing from the scope and spirit of the invention. For example, a pool may be created for shares only, for options only, for vested shares/options only, for unvested options/shares only or for any similar sub-category or combination. In addition, the pool could be limited to shares/options of companies in a pre-determined field of activity or a combination of pre-determined fields of activity, such as biotechnology, internet technology, computer technology, communication technology, etc.

It will also be appreciated that the method, method for conducting business and data processing system described hereinabove is not limited to a specific number of participants though it is especially suitable for a large number of participants.

THERE IS CLAIMED:

1. A risk sharing method for securities of a plurality of companies,
comprising:
pooling a first security by a first security holder of a first company and a second
security by a second security holder of a second company not identical to
said first company, said first security and said second security defining
securities of a security pool;
making a first security evaluation relating to said first security;
making a second security evaluation relating to said second security;
providing to said first security holder a first stake in the proceeds of an exit of
said first security and said second security based on said first security
evaluation; and
providing to said second security holder a second stake in the proceeds of an
exit of said first security and said second security based on said second
security evaluation.

2. The risk sharing method as set forth in claim 1, wherein said step of
pooling comprises:
making a pooling determination as to said first security; and
approving said first security for said pooling only when said pooling
determination is affirmative.

1 3. The risk sharing method as set forth in claim 2, wherein said step of
2 making said pooling comprises making a determination as to whether said first
3 company received an investment within a predetermined time period.

1 4. The risk sharing method as set forth in claim 2, wherein said step of
2 making said pooling comprises making a determination as to whether said
3 investment exceeded a predetermined amount from at least one of a set of
4 investors meeting predetermined criteria; and making said pooling determination
5 based on said determination.

1 5. The risk sharing method as set forth in claim 2, wherein said step of
2 making said pooling comprises making a determination as to whether said first
3 security has a value of at least a predetermined amount, and making said pooling
4 determination based on said determination.

1 6. The risk sharing method as set forth in claim 2, further comprising making
2 said determination based on also whether said first security has said value less
3 than a predetermined limit.

1 7. The risk sharing method as set forth in claim 2, wherein said step of
2 making said pooling comprises making a determination as to whether said first
3 security represents less than a predetermined proportion of a holding of said first
4 security holder in said first company, and making said pooling determination
5 based on said determination.

1 8. The risk sharing method as set forth in claim 1, wherein said making of
2 said first security evaluation precedes a step of closing said security pool to
3 participation by additional security holders.

1 9. The risk sharing method as set forth in claim 8, wherein said closing of
2 said security pool occurs when a predetermined number of security holders have a
3 security in said security pool.

1 10. The risk sharing method as set forth in claim 9, wherein said
2 predetermined number of security holders is selected on a statistical basis.

1 11. The risk sharing method as set forth in claim 8, wherein said closing of
2 said security pool occurs in response to a time driven trigger.

1 12. The risk sharing method as set forth in claim 8, further comprising
2 determining, at the election of said first security holder, said first stake based on
3 an updated evaluation of said first security determined after said pooling of said
4 first security and before said closing of said security pool.

1 13. The risk sharing method as set forth in claim 8, further comprising:
2 determining, for said first security holder:
3 a respective member initial investment value (MIIV) based on a respective
4 number of securities (NOS) for said first security and an evaluation of
5 each specific security of said first security;
6 a respective member stake determination ratio (MSDR) based on said
7 respective MIIV for said first security holder and based on a respective
8 MIIV for the other security holders;
9 storing said respective MSDR, MIIV, NOS, and said security evaluation values
10 as first individual values for said first security holder; and
11 computing and storing second individual values for said second security holder.

1 14. The risk sharing method as set forth in claim 13, further comprising
2 receiving and distributing proceeds from said securities pool.

1 15. The risk sharing method as set forth in claim 14, wherein said step of
2 distributing proceeds comprises:
3 determining, for each said security holder, a respective number of entitled shares
4 (NOES);
5 determining, for each said security holder, a respective member current entitled
6 stake (MCES) based on said respective individual values and said respective
7 NOES;
8 determining, for said security pool, a pool total current entitled stake amount
9 (PTCES); and
10 determining, for each said security holder, a member entitled amount of
11 proceeds (MEAOP) based on said proceeds and on said MCES and PTCES.

1 16. The risk sharing method as set forth in claim 15, wherein said step of
2 distributing proceeds is performed on a predetermined periodic basis.

1 17. The risk sharing method as set forth in claim 15, wherein said step of
2 determining said NOES comprises, for said first security holder:
3 setting said respective NOES to 0 when said first security holder is not entitled
4 to hold or to exercise said first security ; and
5 determining said NOES based on said respective NOS with respect to a
6 proportion of said NOS already vested to said first security holder by said
7 first company.

1 18. The risk sharing method as set forth in claim 17, further comprising setting
2 said respective NOES for said first security holder to 0 in the absence, at a
3 predetermined time, of an indication of continued operations by said first
4 company.

1 19. The risk sharing method as set forth in claim 8, further comprising:
2 determining, for said first security holder:
3 a respective member initial investment value (MIIV);
4 a respective member stake determination ratio (MSDR) based on said
5 respective MIIV for said first security holder and based on a respective
6 MIIV for the other security holders;
7 storing said respective MSDR and MIIV values as first individual values for
8 said first security holder; and
9 computing and storing second individual values for said second security holder;
10 wherein said MSDR and MIIV are determined according to a heuristic
11 approach.

1 20. The risk sharing method as set forth in claim 1, wherein said making of
2 said first security evaluation occurs only after a step of closing said security pool
3 to participation by additional security holders.

1 21. The risk sharing method as set forth in claim 20, wherein said closing of
2 said security pool occurs when a predetermined number of security holders have a
3 security in said security pool.

1 22. The risk sharing method as set forth in claim 21, wherein said
2 predetermined number of security holders is selected on a statistical basis.

1 23. The risk sharing method as set forth in claim 20, wherein said closing of
2 said security pool occurs in response to a time driven trigger.

1 24. The risk sharing method as set forth in claim 20, further comprising
2 determining, at the election of said first security holder, said first stake based on
3 an updated evaluation of said first security determined after said pooling of said
4 first security and before said closing of said security pool.

1 25. The risk sharing method as set forth in claim 20, further comprising:
2 determining, for said first security holder:
3 a respective member initial investment value (MIIV) based on a respective
4 number of securities (NOS) for said first security and an evaluation of
5 each specific security of said first security;
6 a respective member stake determination ratio (MSDR) based on said
7 respective MIIV for said first security holder and based on a respective
8 MIIV for the other security holders;
9 storing said respective MSDR, MIIV, PPS, and NOS values as first individual
10 values for said first security holder; and
11 computing and storing second individual values for said second security holder.

1 26. The risk sharing method as set forth in claim 25, further comprising
2 receiving and distributing proceeds from said securities pool.

1 27. The risk sharing method as set forth in claim 26, wherein said step of
2 distributing proceeds comprises:
3 determining, for each said security holder, a respective number of entitled shares
4 (NOES);
5 determining, for each said security holder, a respective member current entitled
6 stake (MCES) based on said respective individual values and said respective
7 NOES;
8 determining, for said security pool, a pool total current entitled stake amount
9 (PTCES); and
10 determining, for each said security holder, a member entitled amount of
11 proceeds (MEAOP) based on said proceeds and on said MCES and PTCES.

1 28. The risk sharing method as set forth in claim 27, wherein said step of
2 distributing proceeds is performed on a predetermined periodic basis.

1 29. The risk sharing method as set forth in claim 27, wherein said step of
2 determining said NOES comprises, for said first security holder:
3 setting said respective NOES to 0 when said first security holder is not entitled
4 to hold or to exercise said first security ; and
5 determining said NOES based on said respective NOS with respect to a
6 proportion of said NOS already vested to said first security holder by said
7 first company.

1 30. The risk sharing method as set forth in claim 29, further comprising setting
2 said respective NOES for said first security holder to 0 in the absence, at a
3 predetermined time, of an indication of continued operations by said first
4 company.

1 31. The risk sharing method as set forth in claim 20, further comprising:
2 determining, for said first security holder:
3 a respective member initial investment value (MIIV);
4 a respective member stake determination ratio (MSDR) based on said
5 respective MIIV for said first security holder and based on a respective
6 MIIV for the other security holders;
7 storing said respective MSDR and MIIV values as first individual values for
8 said first security holder; and
9 computing and storing second individual values for said second security holder;
10 wherein said MSDR and MIIV are determined according to a heuristic
11 approach.

1 32. The risk sharing method as set forth in claim 1, wherein said security pool
2 is restricted to only vested securities.

1 33. The risk sharing method as set forth in claim 1, wherein said security pool
2 is restricted to only shares.

1 34. The risk sharing method as set forth in claim 1, wherein said securities are
2 non-publicly traded securities or underlying securities pertaining to exercisable
3 options.

1 35. The risk sharing method as set forth in claim 1, wherein said security pool
2 is restricted to only options to acquire shares.

1 36. The risk sharing method as set forth in claim 35, wherein said options to
2 acquire shares relate to only not publicly traded shares.

1 37. The risk sharing method as set forth in claim 1, wherein said first security
2 holder is one or more of an employee, ex-employee, consultant, ex-consultant,
3 adviser, ex-adviser, service provider, ex-service provider and founder of said first
4 company.

1 38. The risk sharing method as set forth in claim 1, wherein said companies
2 consist of start-up companies.

1 39. A computer program product for implementing a risk sharing method,
2 comprising:
3 a computer readable medium, and
4 instructions on said computer readable medium, adapted to enable a computer to
5 implement:
6 pooling a first security by a first security holder of a first company and a
7 second security by a second security holder of a second company not
8 identical to said first company, said first security and said second
9 security defining securities of a security pool;
10 making a first security evaluation relating to said first security;
11 making a second security evaluation relating to said second security;
12 providing to said first security holder a first stake in the proceeds of an exit
13 of said first security and said second security based on said first
14 security evaluation; and
15 providing to said second security holder a second stake in the proceeds of
16 an exit of said first security and said second security based on said
17 second security evaluation.

1 40. The computer program product for implementing a risk sharing method as
2 set forth in claim 39, wherein said step of pooling comprises:
3 making a pooling determination as to said first security; and
4 approving said first security for said pooling only when said pooling
5 determination is affirmative.

1 41. The computer program product for implementing a risk sharing method as
2 set forth in claim 40, wherein said step of making said pooling comprises making
3 a determination as to whether said first company received an investment within a
4 predetermined time period.

1 42. The computer program product for implementing a risk sharing method as
2 set forth in claim 40, wherein said step of making said pooling comprises making
3 a determination as to whether said investment exceeded a predetermined amount
4 from at least one of a set of investors meeting predetermined criteria, and making
5 said pooling determination based on said determination.

1 43. The computer program product for implementing a risk sharing method as
2 set forth in claim 40, wherein said step of making said pooling comprises making
3 a determination as to whether said first security has a value of at least a
4 predetermined amount, and making said pooling determination based on said
5 determination.

1 44. The computer program product for implementing a risk sharing method as
2 set forth in claim 40, further comprising instructions for making said
3 determination based on also whether said first security has said value less than a
4 predetermined limit.

1 45. The computer program product for implementing a risk sharing method as
2 set forth in claim 40, wherein said step of making said pooling comprises making
3 a determination as to whether said first security represents less than a
4 predetermined proportion of a holding of said first security holder in said first
5 company, and making said pooling determination based on said determination.

1 46. The computer program product for implementing a risk sharing method as
2 set forth in claim 39, wherein said making of said first security evaluation
3 precedes a step of closing said security pool to participation by additional security
4 holders.

1 47. The computer program product for implementing a risk sharing method as
2 set forth in claim 46, wherein said closing of said security pool occurs when a
3 predetermined number of security holders have a security in said security pool.

1 48. The computer program product for implementing a risk sharing method as
2 set forth in claim 47, wherein said predetermined number of security holders is
3 selected on a statistical basis.

1 49. The computer program product for implementing a risk sharing method as
2 set forth in claim 46, wherein said closing of said security pool occurs in response
3 to a time driven trigger.

1 50. The computer program product for implementing a risk sharing method as
2 set forth in claim 46, further comprising instructions for determining, at the
3 election of said first security holder, said first stake based on an updated
4 evaluation of said first security determined after said pooling of said first security
5 and before said closing of said security pool.

1 51. The computer program product for implementing a risk sharing method as
2 set forth in claim 46, further comprising instructions for:
3 determining, for said first security holder:
4 a respective member initial investment value (MIIV) based on a respective
5 number of securities (NOS) for said first security and an evaluation of
6 each specific security of said first security;
7 a respective member stake determination ratio (MSDR) based on said
8 respective MIIV for said first security holder and based on a respective
9 MIIV for the other security holders;
10 storing said respective MSDR, MIIV, NOS, and said security evaluation values
11 as first individual values for said first security holder; and
12 computing and storing second individual values for said second security holder.

1 52. The computer program product for implementing a risk sharing method as
2 set forth in claim 51, further comprising instructions for receiving and distributing
3 proceeds from said securities pool.

53. The computer program product for implementing a risk sharing method as set forth in claim 52, wherein said step of distributing proceeds comprises:

determining, for each said security holder, a respective number of entitled shares (NOES);

determining, for each said security holder, a respective member current entitled stake (MCES) based on said respective individual values and said respective NOES;

determining, for said security pool, a pool total current entitled stake amount (PTCES); and

determining, for each said security holder, a member entitled amount of proceeds (MEAOP) based on said proceeds and on said MCES and PTCES.

54. The computer program product for implementing a risk sharing method as set forth in claim 53, wherein said step of distributing proceeds is performed on a predetermined periodic basis.

55. The computer program product for implementing a risk sharing method as set forth in claim 53, wherein said step of determining said NOES comprises, for said first security holder:

setting said respective NOES to 0 when said first security holder is not entitled to hold or to exercise said first security ; and

determining said NOES based on said respective NOS with respect to a proportion of said NOS already vested to said first security holder by said first company.

1 56. The computer program product for implementing a risk sharing method as
2 set forth in claim 55, further comprising instructions for setting said respective
3 NOES for said first security holder to 0 in the absence, at a predetermined time, of
4 an indication of continued operations by said first company.

1 57. The computer program product for implementing a risk sharing method as
2 set forth in claim 46, further comprising instructions for:
3 determining, for said first security holder:
4 a respective member initial investment value (MIIV);
5 a respective member stake determination ratio (MSDR) based on said
6 respective MIIV for said first security holder and based on a respective
7 MIIV for the other security holders;
8 storing said respective MSDR and MIIV values as first individual values for
9 said first security holder; and
10 computing and storing second individual values for said second security holder;
11 wherein said MSDR and MIIV are determined according to a heuristic
12 approach.

1 58. The computer program product for implementing a risk sharing method as
2 set forth in claim 39, wherein said making of said first security evaluation occurs
3 only after a step of closing said security pool to participation by additional
4 security holders.

1 59. The computer program product for implementing a risk sharing method as
2 set forth in claim 58, wherein said closing of said security pool occurs when a
3 predetermined number of security holders have a security in said security pool.

1 60. The computer program product for implementing a risk sharing method as
2 set forth in claim 59, wherein said predetermined number of security holders is
3 selected on a statistical basis.

1 61. The computer program product for implementing a risk sharing method as
2 set forth in claim 58, wherein said closing of said security pool occurs in response
3 to a time driven trigger.

1 62. The computer program product for implementing a risk sharing method as
2 set forth in claim 58, further comprising instructions for determining, at the
3 election of said first security holder, said first stake based on an updated
4 evaluation of said first security determined after said pooling of said first security
5 and before said closing of said security pool.

- 1 63. The computer program product for implementing a risk sharing method as
2 set forth in claim 58, further comprising instructions for:
3 determining, for said first security holder:
4 a respective member initial investment value (MIIV) based on a respective
5 number of securities (NOS) for said first security and an evaluation of
6 each specific security of said first security;
7 a respective member stake determination ratio (MSDR) based on said
8 respective MIIV for said first security holder and based on a respective
9 MIIV for the other security holders;
10 storing said respective MSDR, MIIV, PPS, and NOS values as first individual
11 values for said first security holder; and
12 computing and storing second individual values for said second security holder.
- 1 64. The computer program product for implementing a risk sharing method as
2 set forth in claim 63, further comprising instructions for receiving and distributing
3 proceeds from said securities pool.

65. The computer program product for implementing a risk sharing method as set forth in claim 64, wherein said step of distributing proceeds comprises:

determining, for each said security holder, a respective number of entitled shares (NOES);

determining, for each said security holder, a respective member current entitled stake (MCES) based on said respective individual values and said respective NOES;

determining, for said security pool, a pool total current entitled stake amount (PTCES); and

determining, for each said security holder, a member entitled amount of proceeds (MEAOP) based on said proceeds and on said MCES and PTCES.

66. The computer program product for implementing a risk sharing method as set forth in claim 65, wherein said step of distributing proceeds is performed on a predetermined periodic basis.

67. The computer program product for implementing a risk sharing method as set forth in claim 65, wherein said step of determining said NOES comprises, for said first security holder:

setting said respective NOES to 0 when said first security holder is not entitled to hold or to exercise said first security ; and

determining said NOES based on said respective NOS with respect to a proportion of said NOS already vested to said first security holder by said first company.

68. The computer program product for implementing a risk sharing method as set forth in claim 67, further comprising instructions for setting said respective NOES for said first security holder to 0 in the absence, at a predetermined time, of an indication of continued operations by said first company.

69. The computer program product for implementing a risk sharing method as set forth in claim 58, further comprising instructions for:
determining, for said first security holder:

a respective member initial investment value (MIIV);

a respective member stake determination ratio (MSDR) based on said
respective MIIV for said first security holder and based on a respective
MIIV for the other security holders;

storing said respective MSDR and MIIV values as first individual values for
said first security holder; and

computing and storing second individual values for said second security holder;
wherein said MSDR and MIIV are determined according to a heuristic
approach.

70. The computer program product for implementing a risk sharing method as set forth in claim 39, wherein said security pool is restricted to only vested securities.

71. The computer program product for implementing a risk sharing method as set forth in claim 39, wherein said security pool is restricted to only shares.

1 72. The computer program product for implementing a risk sharing method as
2 set forth in claim 39, wherein said securities are non-publicly traded securities or
3 underlying securities pertaining to exercisable options.

1 73. The computer program product for implementing a risk sharing method as
2 set forth in claim 39, wherein said security pool is restricted to only options to
3 acquire shares.

1 74. The computer program product for implementing a risk sharing method as
2 set forth in claim 73, wherein said options to acquire shares relate to only not
3 publicly traded shares.

1 75. The computer program product for implementing a risk sharing method as
2 set forth in claim 39, wherein said first security holder is one or more of an
3 employee, ex-employee, consultant, ex-consultant, adviser, ex-adviser, service
4 provider, ex-service provider and founder of said first company.

1 76. The computer program product for implementing a risk sharing method as
2 set forth in claim 39, wherein said companies consist of start-up companies.
3

1 77. A computer system for implementing a risk sharing method, comprising:
2 a processor, and
3 a memory holding instructions adapted to enable said processor to implement:

pooling a first security by a first security holder of a first company and a
second security by a second security holder of a second company not
identical to said first company, said first security and said second
security defining securities of a security pool;
making a first security evaluation relating to said first security;
making a second security evaluation relating to said second security;
providing to said first security holder a first stake in the proceeds of an exit
of said first security and said second security based on said first
security evaluation; and
providing to said second security holder a second stake in the proceeds of
an exit of said first security and said second security based on said
second security evaluation.

78. The computer system for implementing a risk sharing method as set forth
in claim 77, wherein said step of pooling comprises:
making a pooling determination as to said first security; and
approving said first security for said pooling only when said pooling
determination is affirmative.

79. The computer system for implementing a risk sharing method as set forth
in claim 78, wherein said step of making said pooling comprises making a
determination as to whether said first company received an investment within a
predetermined time period.

1 80. The computer system for implementing a risk sharing method as set forth
2 in claim 78, wherein said step of making said pooling comprises making a
3 determination as to whether said investment exceeded a predetermined amount
4 from at least one of a set of investors meeting predetermined criteria, and making
5 said pooling determination based on said determination.

1 81. The computer system for implementing a risk sharing method as set forth
2 in claim 78, wherein said step of making said pooling comprises making a
3 determination as to whether said first security has a value of at least a
4 predetermined amount, and making said pooling determination based on said
5 determination.

1 82. The computer system for implementing a risk sharing method as set forth
2 in claim 78, further comprising instructions for making said determination based
3 on also whether said first security has said value less than a predetermined limit.

1 83. The computer system for implementing a risk sharing method as set forth
2 in claim 78, wherein said step of making said pooling comprises making a
3 determination as to whether said first security represents less than a predetermined
4 proportion of a holding of said first security holder in said first company, and
5 making said pooling determination based on said determination.

1 84. The computer system for implementing a risk sharing method as set forth
2 in claim 77, wherein said making of said first security evaluation precedes a step
3 of closing said security pool to participation by additional security holders.

1 85. The computer system for implementing a risk sharing method as set forth
2 in claim 84, wherein said closing of said security pool occurs when a
3 predetermined number of security holders have a security in said security pool.

1 86. The computer system for implementing a risk sharing method as set forth
2 in claim 85, wherein said predetermined number of security holders is selected on
3 a statistical basis.

1 87. The computer system for implementing a risk sharing method as set forth
2 in claim 84, wherein said closing of said security pool occurs in response to a time
3 driven trigger.

1 88. The computer system for implementing a risk sharing method as set forth
2 in claim 84, further comprising instructions for determining, at the election of said
3 first security holder, said first stake based on an updated evaluation of said first
4 security determined after said pooling of said first security and before said closing
5 of said security pool.

1 89. The computer system for implementing a risk sharing method as set forth
2 in claim 84, further comprising instructions for:
3 determining, for said first security holder:
4 a respective member initial investment value (MIIV) based on a respective
5 number of securities (NOS) for said first security and an evaluation of
6 each specific security of said first security;
7 a respective member stake determination ratio (MSDR) based on said
8 respective MIIV for said first security holder and based on a respective
9 MIIV for the other security holders;
10 storing said respective MSDR, MIIV, NOS, and said security evaluation values
11 as first individual values for said first security holder; and
12 computing and storing second individual values for said second security holder.

1 90. The computer system for implementing a risk sharing method as set forth
2 in claim 89, further comprising instructions for receiving and distributing
3 proceeds from said securities pool.

1 91. The computer system for implementing a risk sharing method as set forth
2 in claim 90, wherein said step of distributing proceeds comprises:
3 determining, for each said security holder, a respective number of entitled shares
4 (NOES);
5 determining, for each said security holder, a respective member current entitled
6 stake (MCES) based on said respective individual values and said respective
7 NOES;
8 determining, for said security pool, a pool total current entitled stake amount
9 (PTCES); and
10 determining, for each said security holder, a member entitled amount of
11 proceeds (MEAOP) based on said proceeds and on said MCES and PTCES.

1 92. The computer system for implementing a risk sharing method as set forth
2 in claim 91, wherein said step of distributing proceeds is performed on a
3 predetermined periodic basis.

1 93. The computer system for implementing a risk sharing method as set forth
2 in claim 91, wherein said step of determining said NOES comprises, for said first
3 security holder:
4 setting said respective NOES to 0 when said first security holder is not entitled
5 to hold or to exercise said first security ; and
6 determining said NOES based on said respective NOS with respect to a
7 proportion of said NOS already vested to said first security holder by said
8 first company.

1 94. The computer system for implementing a risk sharing method as set forth
2 in claim 93, further comprising instructions for setting said respective NOES for
3 said first security holder to 0 in the absence, at a predetermined time, of an
4 indication of continued operations by said first company.

1 95. The computer system for implementing a risk sharing method as set forth
2 in claim 84, further comprising instructions for:
3 determining, for said first security holder:
4 a respective member initial investment value (MIIV);
5 a respective member stake determination ratio (MSDR) based on said
6 respective MIIV for said first security holder and based on a respective
7 MIIV for the other security holders;
8 storing said respective MSDR and MIIV values as first individual values for
9 said first security holder; and
10 computing and storing second individual values for said second security holder;
11 wherein said MSDR and MIIV are determined according to a heuristic
12 approach.

1 96. The computer system for implementing a risk sharing method as set forth
2 in claim 77, wherein said making of said first security evaluation occurs only after
3 a step of closing said security pool to participation by additional security holders.

1 97. The computer system for implementing a risk sharing method as set forth
2 in claim 96, wherein said closing of said security pool occurs when a
3 predetermined number of security holders have a security in said security pool.

1 98. The computer system for implementing a risk sharing method as set forth
2 in claim 97, wherein said predetermined number of security holders is selected on
3 a statistical basis.

1 99. The computer system for implementing a risk sharing method as set forth
2 in claim 96, wherein said closing of said security pool occurs in response to a time
3 driven trigger.

1 100. The computer system for implementing a risk sharing method as set forth
2 in claim 96, further comprising instructions for determining, at the election of said
3 first security holder, said first stake based on an updated evaluation of said first
4 security determined after said pooling of said first security and before said closing
5 of said security pool.

1 101. The computer system for implementing a risk sharing method as set forth
2 in claim 96, further comprising instructions for:
3 determining, for said first security holder:
4 a respective member initial investment value (MIIV) based on a respective
5 number of securities (NOS) for said first security and an evaluation of
6 each specific security of said first security;
7 a respective member stake determination ratio (MSDR) based on said
8 respective MIIV for said first security holder and based on a respective
9 MIIV for the other security holders;
10 storing said respective MSDR, MIIV, PPS, and NOS values as first individual
11 values for said first security holder; and
12 computing and storing second individual values for said second security holder.

1 102. The computer system for implementing a risk sharing method as set forth
2 in claim 101, further comprising instructions for receiving and distributing
3 proceeds from said securities pool.

1 103. The computer system for implementing a risk sharing method as set forth
2 in claim 102, wherein said step of distributing proceeds comprises:
3 determining, for each said security holder, a respective number of entitled shares
4 (NOES);
5 determining, for each said security holder, a respective member current entitled
6 stake (MCES) based on said respective individual values and said respective
7 NOES;
8 determining, for said security pool, a pool total current entitled stake amount
9 (PTCES); and
10 determining, for each said security holder, a member entitled amount of
11 proceeds (MEAOP) based on said proceeds and on said MCES and PTCES.

1 104. The computer system for implementing a risk sharing method as set forth
2 in claim 103, wherein said step of distributing proceeds is performed on a
3 predetermined periodic basis.

1 105. The computer system for implementing a risk sharing method as set forth
2 in claim 103, wherein said step of determining said NOES comprises, for said first
3 security holder:
4 setting said respective NOES to 0 when said first security holder is not entitled
5 to hold or to exercise said first security ; and
6 determining said NOES based on said respective NOS with respect to a
7 proportion of said NOS already vested to said first security holder by said
8 first company.

1 106. The computer system for implementing a risk sharing method as set forth
2 in claim 105, further comprising instructions for setting said respective NOES for
3 said first security holder to 0 in the absence, at a predetermined time, of an
4 indication of continued operations by said first company.

1 107. The computer system for implementing a risk sharing method as set forth
2 in claim 96, further comprising instructions for:
3 determining, for said first security holder:
4 a respective member initial investment value (MIIV);
5 a respective member stake determination ratio (MSDR) based on said
6 respective MIIV for said first security holder and based on a respective
7 MIIV for the other security holders;
8 storing said respective MSDR and MIIV values as first individual values for
9 said first security holder; and
10 computing and storing second individual values for said second security holder;
11 wherein said MSDR and MIIV are determined according to a heuristic
12 approach.

1 108. The computer system for implementing a risk sharing method as set forth
2 in claim 77, wherein said security pool is restricted to only vested securities.

1 109. The computer system for implementing a risk sharing method as set forth
2 in claim 77, wherein said security pool is restricted to only shares.

1 110. The computer system for implementing a risk sharing method as set forth
2 in claim 77, wherein said securities are non-publicly traded securities or
3 underlying securities pertaining to exercisable options.

1 111. The computer system for implementing a risk sharing method as set forth
2 in claim 77, wherein said security pool is restricted to only options to acquire
3 shares.

1 112. The computer system for implementing a risk sharing method as set forth
2 in claim 111, wherein said options to acquire shares relate to only not publicly
3 traded shares.

1 113. The computer system for implementing a risk sharing method as set forth
2 in claim 77, wherein said first security holder is one or more of an employee, ex-
3 employee, consultant, ex-consultant, adviser, ex-adviser, service provider, ex-
4 service provider and founder of said first company.

1 114. The computer system for implementing a risk sharing method as set forth
2 in claim 77, wherein said companies consist of start-up companies.

1 115. A method of obligating the realization of a security by a security holder,
2 wherein said security holder is under an obligation preventing transfer of said
3 security, comprising making an agreement with said security holder, said
4 agreement obligating said security holder to undertake, when said security is a
5 share, selling said security and then transferring proceeds of said sale to a security
6 pool, and when said security is an option to acquire a share, exercising said
7 option, selling the underlying share and transferring the proceeds thereof to said
8 security pool, all in accordance with rules governing said security pool when said
9 security holder is no longer prevented from transferring said security .

1 116. A method of obligating the transfer of a security to a security pool by a
2 security holder, said security holder being under an obligation preventing transfer
3 of said security, comprising making an agreement with said security holder, said
4 agreement obligating said security holder to undertake to transfer said security to
5 the pool management for realizing said security and distributing the proceeds
6 therefrom in accordance with rules governing said security pool when said
7 security holder is no longer prevented from transferring said security.

1 117. A method of risk sharing for a security holder of a start-up company, said
2 security holder having securities of said start-up company, said method
3 comprising:
4 undertaking a pooling transaction with respect to at least a portion of said
5 securities, said pooling transaction relating to a security pool having
6 securities from at least one other start-up company; and
7 receiving from said pooling transaction a stake in proceeds of all securities in
8 said securities pool.

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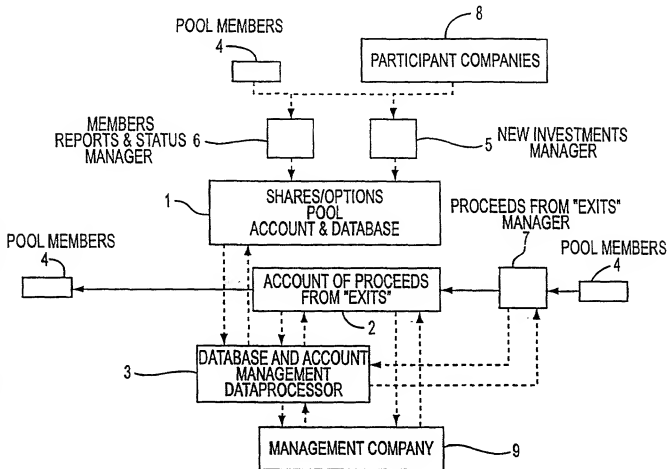


FIG. 1

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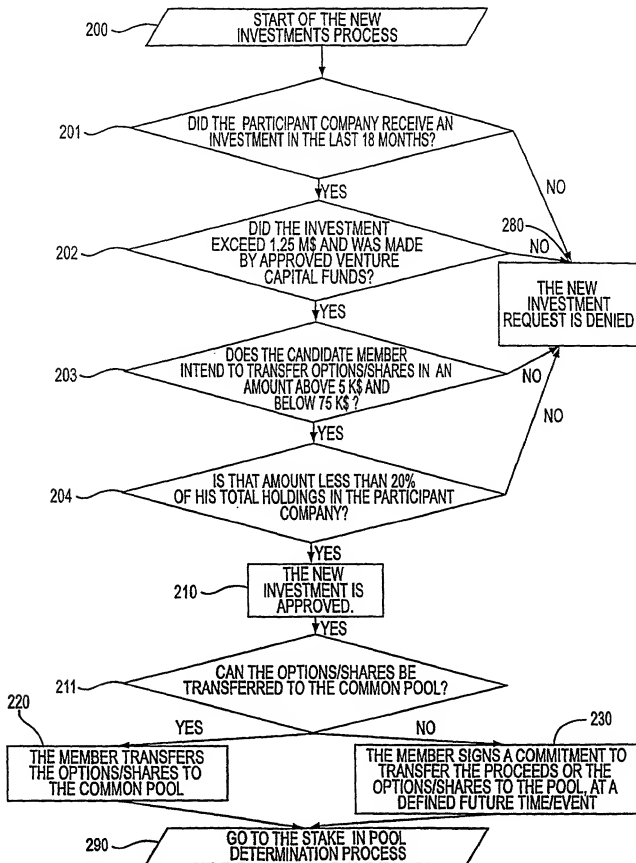


FIG. 2

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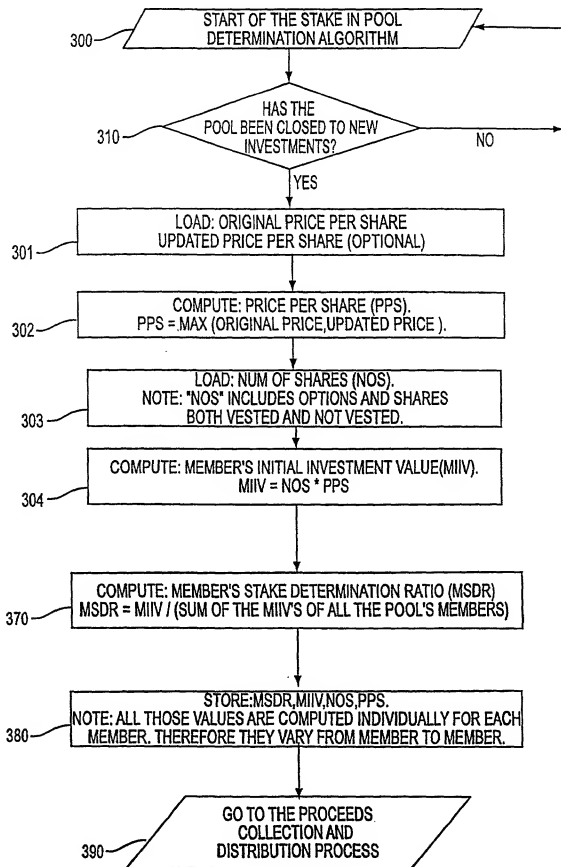


FIG. 3

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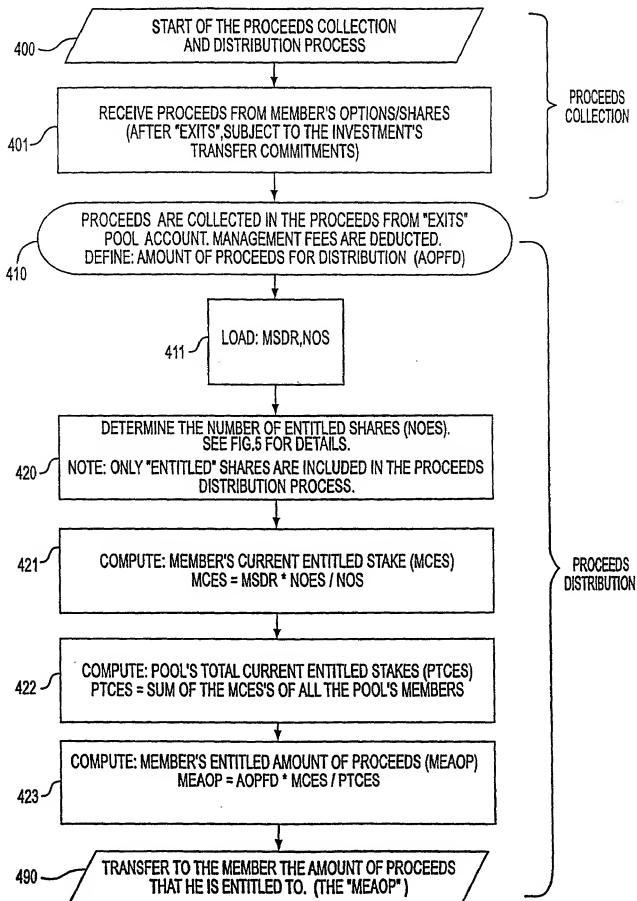


FIG. 4

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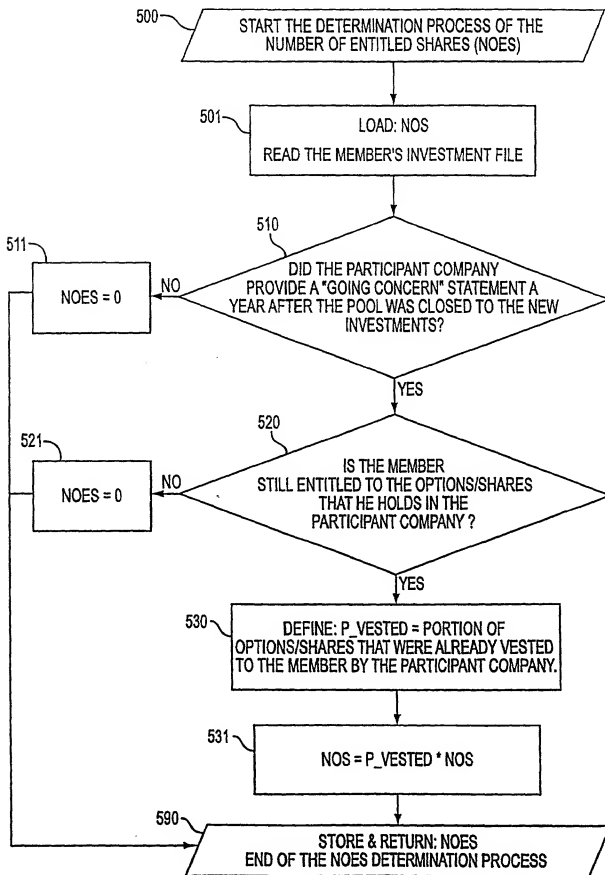


FIG. 5

SUBSTITUTE SHEET (RULE 26)

DECLARATION AND POWER OF ATTORNEY

As a below named inventor, I hereby declare that my residence, mailing address and citizenship are as stated below next to my name: that I verily believe I am the original, first and sole inventor (if only one name is listed below) or an original, first and joint inventor (if plural names are listed below) of the subject matter claimed and for which a patent is sought in the application entitled:

A SYSTEM AND METHOD FOR DATA PROCESSING OF OPTION / SHARE POOLING, AND A METHOD FOR CONDUCTING BUSINESS

which application is:

☐ the attached application
(for original application)

☒ Application No. 09/806,060
filed March 27, 2001, and amended on
March 27, 2001

that I have reviewed and understand the contents of the specification of the above-identified application, including the claims, as amended by any amendment referred to above; that I acknowledge my duty to disclose information of which I am aware and which is material to the patentability of this application as defined in 37 C.F.R. 1.56, that I hereby claim priority benefits under Title 35, United States Code §119(a)-(d) or §365(b) of any foreign application(s) for patent or inventor's certificate, §119(e) of any United States provisional application(s), or §365(a) of any PCT International application which designated at least one country other than the United States of America, listed below and have also identified below any foreign application for patent or inventor's certificate or of any PCT International application having a filing date before that of the application on which priority is claimed:

| Application Number | Country | Filing Date | Priority Claimed | |
|-----------------------|---------|-------------|-------------------------------------|--------------------------|
| | | | Yes | No |
| 60/126,784 | US | 3/29/1999 | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

I hereby claim the benefit under 35 United States Code §120 of any United States application(s), or §365(c) of any PCT International application designating the United States, listed below and, insofar as the subject matter of each of the claims of this application is not disclosed in a listed prior United States or PCT International application in the manner provided by the first paragraph of Title 35, United States Code, §112, I acknowledge my duty to disclose any information material to the patentability of this application as defined in 37 C.F.R. 1.56 which occurred between the filing date of the prior application and the national or PCT international filing date of this application:

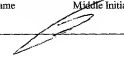
| Application No. | Filing Date | Status |
|-----------------|-------------|--------|
| PCT/US00/06433 | 3/28/2000 | |

I hereby appoint John H. Mion, Reg. No. 18,879; Thomas J. Macpeak, Reg. No. 19,292; Robert J. Seas, Jr., Reg. No. 21,092; Darryl Mexic, Reg. No. 23,063; Robert V. Sloan, Reg. No. 22,775; Peter D. Olexy, Reg. No. 24,513; J. Frank Osha, Reg. No. 24,625; Waddell A. Biggart, Reg. No. 24,861; Louis Gubinsky, Reg. No. 24,835; Neil B. Siegel, Reg. No. 25,200; David J. Cushing, Reg. No. 28,703; John R. Inge, Reg. No. 26,916; Joseph J. Ruch, Jr., Reg. No. 26,577; Sheldon I. Landsman, Reg. No. 25,430; Richard C. Turner, Reg. No. 29,710; Howard L. Bernstein, Reg. No. 25,665; Alan J. Kasper, Reg. No. 25,426; Kenneth J. Burchfiel, Reg. No. 31,333; Gordon Kit, Reg. No. 30,764; Susan J. Mack, Reg. No. 30,951; Frank L. Bernstein, Reg. No. 31,484; Mark Boland, Reg. No. 32,197; William H. Mandir, Reg. No. 32,156; Brian W. Hannon, Reg. No.

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I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.


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